

Missouri’s economic conditions strained further by terrorist acts

The events of September 11 in New York City, Washington, D.C. and Pennsylvania were shocking and incomprehensible to all of us. As a result of these heinous attacks, many questions have arisen regarding how our state economy will be impacted.

At this point in time we are just not exactly sure how economic conditions will play out during the coming weeks and months.

We expect that the September 11 events will most likely and immediately affect the air transport and travel-related industries, such as airlines, travel agencies, airport services and hotels.

Prior to the tragedy, economic growth in Missouri was continuing to slow through the second quarter of 2001.

During this period of time, there were 20 mass layoff events in Missouri, resulting in the loss of 4,318 jobs. Persisting weakness in the manufacturing industry remained apparent as 60 percent of these mass layoff events occurred in this sector.

Missouri’s Purchasing Managers’ Index (PMI) increased slightly from 46.0 to 47.3 in August. However, it remained below 50 for the sixth time in the first eight months of 2001.

Economists consider the PMI a key economic indicator, as it measures such factors as new orders, production, supplier delivery times, backlogs, inventories, prices, employment, import orders and exports. Typically, a score below 50 forecasts a sluggish economy for the next three to six months.

And finally, Missouri’s exports in the second quarter were down nearly 4 percent from the previous year.

These statistics all indicate that the state’s economy was continuing to slow. In fact, the state’s and the nation’s economies may have been teetering on the brink of a shallow recession even prior to the terrorist attacks.

The department’s [Economic Research and Information Center](#) recently completed a study of the current economic downturn in Missouri. Keep in mind that recessions are determined on the basis of output, yet many base their perception of a recession on employment.

So the center studied twenty years of Missouri employment data to analyze the current economic downturn.

The center discovered that Missouri has progressively experienced a decrease of more than 20,000 non-farm jobs over the past several months. Looking back over a twenty-year period, similar decreases in non-farm employment were only experienced during general recessions, such as in April 1982 through December 1982 and September 1990 through June 1991.

Currently, these recession-like employment conditions have existed in Missouri since April 2001 and are expected to continue through the second quarter of 2002.

Unlike the recessions in the '80s and '90s, where manufacturing experienced the greatest job loss (over 10,000), current job loss is being experienced equally by Missouri’s service (more than 8,000) and manufacturing (more than 6,000) industries.

Although hard statistics aren’t available yet, retail sales are slumping according to the Missouri Retailers Association. General retail sales also declined similarly during the Persian Gulf War in the early '90s.

According to another study prepared by the Missouri Economic Research & Information Center, it is estimated that more than 800 airline workers in Missouri are in jeopardy of being laid off due to declines in the air transportation industry.

If all of these layoffs do occur, it would mean that the air transportation industry will eliminate 3.1 percent of its Missouri workforce, causing the loss of \$37.2 million in annual wages and a \$101.1 million annual loss in Gross State Product (GSP). In addition, the loss of jobs and wages would lead to a net state tax loss of \$3.7 million in 2001.

Another example of the impact of the current economic downturn, yet unrelated to the September 11 events, is the recent announcement by Sprint Corp. to lay off 6,000 employees. This will have a tremendous impact of the Kansas City area economy as approximately 4,500 of the affected workers will come from that region.

(continued on page 4)

Holden praises the expansion of Harley-Davidson operations in Kansas City

Gov. Bob Holden, Mayor Kay Barnes and other state and local officials joined [Harley-Davidson Motor Co.](#) President Jim McCaslin and other company officials in September to announce the expansion of its Kansas City manufacturing operation.



About 300 new high-paying manufacturing jobs will be created in Kansas City over the next few years, as Harley-Davidson moves the assembly of its Dyna Glide family of motorcycles to the Kansas City facility.

All Dyna Glide models are currently assembled in York, Pa., but the company will move this production line to Kansas City during the next six months. The company plans to have production fully under way here by the end of the second quarter 2002.

In addition, the Kansas City plant will also manufacture the new Harley-Davidson V-Rod motorcycle and its Revolution powertrain.

State and local agencies worked in partnership with the company and the unions to make this expansion project possible. The state has proposed a comprehensive incentives package, which includes more than \$2 million in BUILD Missouri bonds.

Task force gathers input on tax credit programs

A Missouri Department of Economic Development task force with the responsibility for recommending changes in state tax credit programs, heard testimony October 1 from representatives of dozens of agencies, businesses, and communities from across the state on how they use tax credits.

Sixty-five people provided testimony at the five-hour public hearing and many others offered written comments. The task force was appointed by DED Director Joseph L. Driskill in response to a directive from Gov. Bob Holden to cut \$7.5 million from the cost of tax credit programs administered by DED because of the state’s tight budget. The public hearing was the first meeting for the task force.

Driskill pointed out that tax credits in the last fiscal year cost state general revenue \$163 million and that could rise to nearly \$200 million this year. “That cost will be very difficult to bear with the tight budget,” said Driskill.

Nearly two-thirds of the state’s tax credit programs are administered by DED. Those 31 programs help offset costs related to community development, redevelopment, housing, business recruitment, and entrepreneurial development and training-all of which impact quality of life and economic prosperity in Missouri.

Serving with Driskill on the task force are: Mitch Robinson, executive director of the Cape Girardeau Area Industrial Recruitment Association; Dr. Ed Robb, director of the Economic and Policy Analysis and Research Center at the University of Missouri; Kathy Bader, from Firstar Bank in St. Louis; Peter DeSimone, executive director of the Missouri Association for Social Welfare; Jerome Schlichter, an attorney from St. Louis; Jim Devine, president and CEO of the Lee’s Summit Economic Development Council; Carol Fischer, director of the Missouri Department of Revenue; Chip Cooper, executive director of the Missouri Innovation Center in Columbia; William A. Hall, president of the Hall Family Foundation in Kansas City; Ruth Roetheli Ehresman, from Citizens for Missouri’s Children in St. Louis; Patty VanWeelden, director of housing for the Ozarks Area Community Action Corp.; and Peter Yelorda, from BlueCross BlueShield of Kansas City.

The tax credit task force assisted DED at the public hearing and will help in developing recommendations that will be forwarded to Gov. Holden.



Sen. Mary Bland, left, of Kansas City, and Rep. Juanita Walton, right, of St. Louis, were among the state legislators who participated in an Economics Academy on October 15-17.

CALENDAR

November 13 Regional Dialogue on Economic Prosperity - Sikeston

State hosts International Student Day

Nearly 375 international students from 83 countries and representing 25 Missouri colleges and universities attended the third Annual Governor’s International Student Day.

The conference was held October 5 at the Capitol Plaza Hotel in Jefferson City. The event was held in cooperation with the Missouri Education Committee, which consists of members from the Missouri Departments of Agriculture and Economic Development and members from colleges and universities across the state.

Several speakers addressed the students during the event’s luncheon, including Lowell Mohler, director, Missouri Department of Agriculture and Joseph L. Driskill, director, Missouri Department of Economic Development.

In addition, Dr. Manuel T. Pacheco, president, University of Missouri System, spoke to the students about his experience as a student studying abroad and about how international students benefit the state as they bring diversity and unique cultural differences to Missouri. Dr. Pacheco also presented the first-ever International Student of the Year Award to Richa Mishra, a senior at William Woods University. Mishra is from Calcutta, India, and is majoring in Business Administration with an emphasis in International Business.

Following Mishra’s award acceptance remarks, Shuja Paul, business development manager at ABB in Jefferson City and former international student, was the keynote speaker. Later in the afternoon, the students toured the state capitol and the Governor’s Mansion.

The conference was sponsored by Lawrence & Associates Inc. and Unigraphic Solutions, both of St. Louis; Tracker Marine, Springfield; and the Hawthorn Foundation.



Richa Mishra - International Student of the Year

Missouri is in “Control” at the box office

The Missouri Film Commission in conjunction with Kansas City-based Waldo West Productions is proud to announce the world premiere of the feature film thriller “Control” starring Sean Young, Will Schaub and William Devane.

Shot entirely in the Kansas City area in November and December of 2000, “Control” is the story of a troubled ex-boxer (Schaub) who is searching for his missing brother at the request of his domineering father (Devane). The clues lead to a psychologist (Young), who is under investigation by the police for her possible involvement with the disappearance of several men, including the ex-boxer’s missing brother.

Young is best known for her performances in “Blade Runner” with Harrison Ford, “Stripes” with Bill Murray and “No Way Out” with Kevin Costner.

Devane is known by millions as the co-star of “Knots Landing,” and he co-starred in the recent releases of “Hollow Man” with Kevin Bacon and “Space Cowboys,” directed by and starring Clint Eastwood.

Following the Oct. 18 premiere, “Control” also made a theatrical run in the Kansas City area through Dickinson Theaters.



THE STATE OF EMPLOYMENT

Missouri’s labor market conditions were relatively stable in September, with the state’s unemployment rate edging down two-tenths of a point to 4.0 percent, according to the Missouri Department of Economic Development.

DED Director Joseph L. Driskill said it would be next month before the any impact of the September 11 terrorist attacks are reflected in the state’s unemployment figures. “These statistics are based on data collected in the week of September 11, and as a result are more reflective of conditions immediately preceding the attacks. The impact of the tragic events will likely show up in our October figures,” Driskill said.

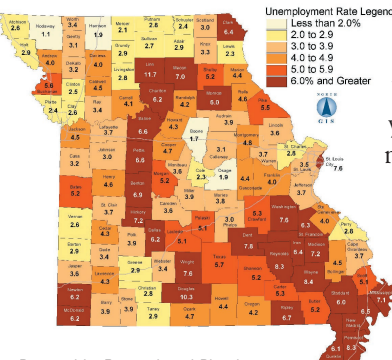
The September unemployment rate was less than the usual seasonal decrease that occurs at the end of the summer, so the seasonally adjusted rate, a better measure of underlying economic conditions, increased by two-tenths of a point to 4.2 percent. The corresponding national rate in September was 4.9 percent.

Driskill pointed out that the employment picture also stabilized somewhat in September, after having been on the decline since the beginning of the year. As a whole, seasonally adjusted payroll employment increased by 11,700 in September, nearly recovering the June level. Compared to a year ago, payroll employment is down by 32,200 jobs. Once again, manufacturing and business services were largely responsible. Manufacturing employment was down by 24,500 jobs over the year, spread through every reported industry. Employment in business services was down by 17,100 jobs over the year, despite the small bit of recovery this month.

Payroll employment normally picks up substantially in September as schools and colleges reopen for the fall term. This year, non-farm payrolls grew by 44,200 jobs. Employment in private educational services went up by 14,300, while employment in state and local government together climbed by 35,700. These were not the only sectors to show employment increases in September. Retail trade employment was up by 2,700 jobs, which included a gain of 900 in eating and drinking places and 1,500 in automotive dealers and service stations.

Wholesale trade was also up, by 1,800 jobs, but this didn’t quite make up the loss in August. Business services was another industry to bounce back, by 2,200 jobs, following the battering it had been taking for the past year. Health services was up by 1,500 jobs and social services by 900, but most other service industries experienced some employment losses.

Employment in transportation and public utilities was down by 1,800 jobs in September, despite some increase normally provided by school bus employment. Airlines and related industries were relatively flat, in the pre-September 11 period. In the goods-producing sector, manufacturing lost another 2,300 jobs, spread through most industries. Construction employment bounced back some from the August drop, adding 1,000 jobs.



Prepared by Research and Planning Missouri Department of Economic Development

State awards grants for community development groups across Missouri

The Missouri Department of Economic Development (DED) awarded more than \$1.4 million in grants today to assist both urban and rural communities in housing, community and economic development activities.

The [Community Development Corporation \(CDC\) Grant Program](#) is designed to fund projects that encourage community organizations to work together to strategically redevelop economically depressed areas. A CDC is a community-based organization governed by a local board that uses its resources to attract capital, develop or rehabilitate low-income housing and increase business development and job opportunities for its residents.

This year CDCs receiving state grants include programs for low-income housing, job and life skills training, after school programs, and a minority business incubator. The grant awards were based on the determination of a CDC’s ability to demonstrate resourcefulness in their development efforts, such as support from outside sources, and to produce measurable outcomes for their communities and neighborhoods.

2002 CDC grant recipients

Agency	City	Amount
West Central Missouri Community Action Agency	Appleton City	\$97,699
Pemiscot County Intitative Network	Caruthersville	\$68,290
Community Services League	Independence	\$21,240
NorthWest Communities Development Corp.	Independence	\$35,438
East Meyer Community Association	Kansas City	\$15,300
Hispanic Economic Development Corp.	Kansas City	\$38,000
Metropolitan Community & Economic Development Corp.	Kansas City	\$100,000
Old Northeast, Inc.	Kansas City	\$100,000
Stone County Housing Development Corp.	Kimberling City	\$15,600
Lamar Community Betterment Council	Lamar	\$100,000
Creative Communities, Inc.	Malden	\$20,000
EOC Community Action Agency	St. Joseph	\$26,545
Beyond Housing, Inc.	St. Louis	\$100,000
CIBC Westend Academy	St. Louis	\$100,000
DeSales Community Housing Corp.	St. Louis	\$40,000
Hamilton Heights Neighborhood Organization, Inc.	St. Louis	\$100,000
Lemay Housing Partnership	St. Louis	\$100,000
Mid-County Partners for Progress	St. Louis	\$50,000
St. Louis Reinvestment Corporation	St. Louis	\$52,396
The Neighborhood Council	St. Louis	\$35,500
Vashon/Jeff VanderLou Initiative, Inc.	St. Louis	\$100,000
Youth Education & Health in Soulard	St. Louis	\$100,000

State grants \$5.1 million for neighborhood development projects

In October, Governor Bob Holden announced more than \$5.1 million to improve housing conditions in more than a dozen Missouri neighborhoods.

“As we look at ways to continue building economic prosperity in Missouri, one of our top priorities is to improve the quality of life in our communities,” said Holden. “By working together we can create sustainable communities, improve housing conditions and increase health and safety for those most in need in Missouri communities and neighborhoods.”

The grants are made through the Missouri Department of Economic Development’s [Community Development Block Grant \(CDBG\) program](#) and will fund housing and public infrastructure improvement activities.

Neighborhood Development grants were awarded to 13 Missouri cities, including Carrollton, Carterville, Clarence, Fulton, Gideon, Hannibal, Malden, Mexico, Moberly, Oronogo, Stover, Tallapoosa, and Vienna.

Holden announces aid for affordable housing developments

Governor Bob Holden announced more than \$1 million in grants that will help meet the demands for affordable housing needs for low- to moderate-income families in five rural Missouri communities.

The innovative housing grants were made through the Missouri Department of Economic Development’s (DED) Community Development Block Grant (CDBG) program in October and will fund the construction of affordable single- and multi-family housing units.

Innovative housing grants were awarded to the following five Missouri cities: Concordia - Willow Point Apartments; Doniphan - Hillcrest; Potosi - Potosi Subdivision; Troy - Woodcrest Villas; and West Plains - Plainview Estates.

NEWS BRIEFS

Plastic company moves to Neosho

The city of Neosho requested and was approved by the Missouri Department of Economic Development for a \$180,000 Action Fund Loan on behalf of Ozark Plastic Products.

The loan will provide working capital and will fund land, building, machinery and equipment expenses that will allow the company to locate in the Neosho Industrial Park, creating at least 22 jobs in the next two years.

Ozark Plastic Products produces custom injection molds for industrial and commercial use. The company also uses customer’s molds to produce plastic parts for some clients. Due to its significant growth, the company has decided to relocate to Neosho from Rogers, Ark. The Missouri location puts the company in closer proximity to some of its larger customers, such as Daisy Outdoor Products and Outland Sports.

Concrete plant locates in Chillicothe

The Missouri Department of Economic Development approved a \$78,000 industrial infrastructure grant through its Community Development Block Grant (CDBG) Program for the city of Chillicothe. The city will use these funds to make road improvements necessary to facilitate the location of Green Ready Mix Inc.

The state funds will be used in combination with funds and in-kind services from the city to widen a portion of Story Lane that will provide access to the future site of Green Ready Mix. The current street is not adequate for heavy truck traffic, so a 24-foot wide paved street with

curbs and gutter sections will be installed to accommodate the new company’s needs. The city will own and maintain the improved street.

Green Ready Mix is owned by Kansas-based Penny’s Concrete Inc. In addition to the future Chillicothe location, the company has nine other plants, which were acquired from Hunt Midwest Inc. in 2000, including two other Missouri locations in Carrollton and Hamilton. The Chillicothe plant will retain four employees and create eight new full-time jobs within two years.

Overseas company to invest in Marshall

The Missouri Department of Economic Development approved a \$350,000 industrial infrastructure grant through its Community Development Block Grant (CDBG) Program for the city of Marshall, Mo.

The city will use these funds to make road, storm water and sewer improvements necessary to facilitate the location of Zhenji Brewing Company Inc. in the Marshall-Saline Industrial Park. The company has announced plans to invest more than \$6 million to locate a soy sauce production facility in Marshall, creating 35 jobs within two years.

The infrastructure improvements for this project include the construction of two roads extending from Missouri Highways 240 and 65, storm water improvements that accompany the road extensions and sewer improvements. The roadways will provide accessibility to the new factory and the sewer improvements will serve the needs of the company and its employees.

Water infrastructure improvements will be supplied by the Marshall Utility Authority, which will extend the water main to the site. The city of Marshall will provide in-kind services toward the completion of this project.

Zhenji Soy Sauce, a United States subsidiary of China-based Shijiazhuang Zhenji Brew Group Co. Ltd., produces a high quality soy sauce through a fermentation process using advanced technology and equipment.

Tipton welcomes new manufacturer

Delta USA Corporation, a manufacturer of parts for the automotive industry, has announced plans to make a multi-million dollar investment and create more than 120 new jobs within two years in the former FASCO building in Tipton, Mo.

The Missouri Department of Economic Development worked in partnership with the city of Tipton and the company to help facilitate this project. The state prepared a comprehensive benefits proposal that finds the company eligible to apply for Development Tax Credit and job training program funds.

Delta USA is a Japanese-owned, privately held company that manufactures seat mechanisms for the automotive industry. The company has been established in the United States since 1988 with corporate headquarters in Monroe, Mich. Delta also has a facility in Eldon, Mo., which will be dedicated to manufacture recliners for the automotive industry through the joint venture Keiper Delta Seating Components.

Workforce awards recognize welfare-to-work efforts, program excellence

Over 900 attended the 2001 Governor's Conference on Workforce Development at Tan-Tar-A Resort in Osage Beach on October 10-12. These individuals represented state agencies, workforce investment boards, business, education and other partners in Missouri's efforts to develop its workforce.

Fourteen men and women were honored at this year's 2001 Governor's Conference on Workforce Development as "Alumni of the Year" for successfully completing job training and entering the workforce through Missouri's welfare-to-work program. Governor Bob Holden recognized alumni from each of the state's 14 workforce development regions.

In addition, the annual program awards were presented to recognize individuals and organizations that demonstrate special achievement and excellence in specific aspects of workforce development.

Congratulations award winners!

Alumni of the year

Beverlee Slaton - St. Louis	Anita Easton - Charleston
Tonia Comparato - Festus	Madonna Welte - Rockaway Beach (Taney County)
Ida Glenn - St. Charles	Chris Crosby - Anderson (McDonald County)
Duane Inge - St. Louis	Deana Pulliam - Birch Tree
Melissa Lowery - Kansas City	Gary Baumli - Edwards (Benton County)
Michael Ransburg - Kansas City	Wonsin Fisher - Fort Leonard Wood
Charity Halstead - Trenton	Julia Connelly - Kirksville

Special Achievement of Excellence Program

Leadership — Darlene Christian Adult Education Classroom, St. Joseph

Innovation - Workforce Investment Board of St. Louis County Welfare-to-Work Behavioral Sciences

Collaboration - The A+ Computer Repair Training Program — Jefferson City & Vandalia

Private Sector Participation - Sprint, Kansas City

Community volunteers celebrate accomplishments at annual conference

Lt. Gov. Joe Maxwell awarded the 2001 Missouri Community Betterment (MCB) Grand Prize Award to the city of Salem at the 38th Annual MCB Conference awards banquet. Judges selected Salem based on the city's outstanding 10-year plan for betterment, which was prepared according to community assessment and survey data, and its strong commitment to sustain improvement efforts.

"Although service should never be limited to only one day, this is a day to get the world's attention, and show the great American ethic of neighbor helping neighbor." Maxwell said.

Hundreds of people from Missouri communities and neighborhoods attended the MCB Confer-

ence in Columbia to obtain new ideas and information about community betterment efforts and to celebrate the achievements of their year-long efforts. This year's theme was "Extraordinary communities where people want to live today and tomorrow."

Nearly 80 communities from throughout the state entered this year's competition. The youth group from the city of Elsberry won this year's Glenn Smith Award, which is given to the most outstanding young adult program. Awards also were presented in the categories of adult leadership, youth leadership, ambassadors and sponsorship. In addition, the city's of Bevier, Clarence, Butler, Glasgow, and Paris received Star City

status and East Prairie and Thayer received All Missouri Certified City status.

Informative sessions about a variety of community development issues and DED programs were conducted throughout the conference and motivational speaker John Foppe, a graduate from St. Louis University, gave the keynote luncheon address.



Lt. Governor Joe Maxwell talked to conference attendees about the importance of community service.



Congratulations to the members of the Salem Area Community Betterment Association - the 2001 MCB Grand Prize Award winner.



The State of the Economy (continued)

So what are we doing to ease this situation? The department stands ready to assist all individuals who have or will lose their job. Currently, the Rapid Response Teams and the local Missouri Career Centers are providing immediate and cost-free services to people who have been laid off to help them find new employment opportunities or to be trained in a different skill.

We also offer services through our [Missouri Business Assistance Center](#) to help people who may be interested in starting their own businesses.

But with the holidays right around the corner, consumers may be more apt to increase their spending soon. And once consumers regain their confidence, I believe that our state's and nation's economies will begin to rebound.

I have faith that the American consumer will prevail over this current economic setback. And I hope that perhaps the one good thing that has resulted from this tragedy — a sharpened since of American pride and brotherhood — will bring about a swift recovery of our people and our economy.

State holds regional dialogues on economic prosperity

Missouri Department of Economic Development is in the process of holding a series of regional meetings to help determine the kinds of changes that must be made to ensure the state's economy remains strong in these challenging times.

The meetings are providing an opportunity to both share information and to gather input from participants. These "regional dialogues on economic prosperity" are also a follow-up to the Economic Prosperity Summit and to economic roundtables conducted by Gov. Bob Holden during the summer to begin developing statewide plans for life sciences, advanced manufacturing, and information technology. All three areas are considered the key components of Missouri's 21st century economy.

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Director Joseph L. Driskill	Public Information Manager Terry Boldt
Editor Kristi Jamison	Graphic Specialist III Becky Verslues
	Graphic Specialist III/Publication Designer Rebecca Hoelscher